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## ELIGIBILITY MODERNIZATION: THE NEED FOR CHANGE

"The FSSA welfare system has failed recipients and taxpayers alike, and must be changed."

- GOVERNOR MITCH DANIELS

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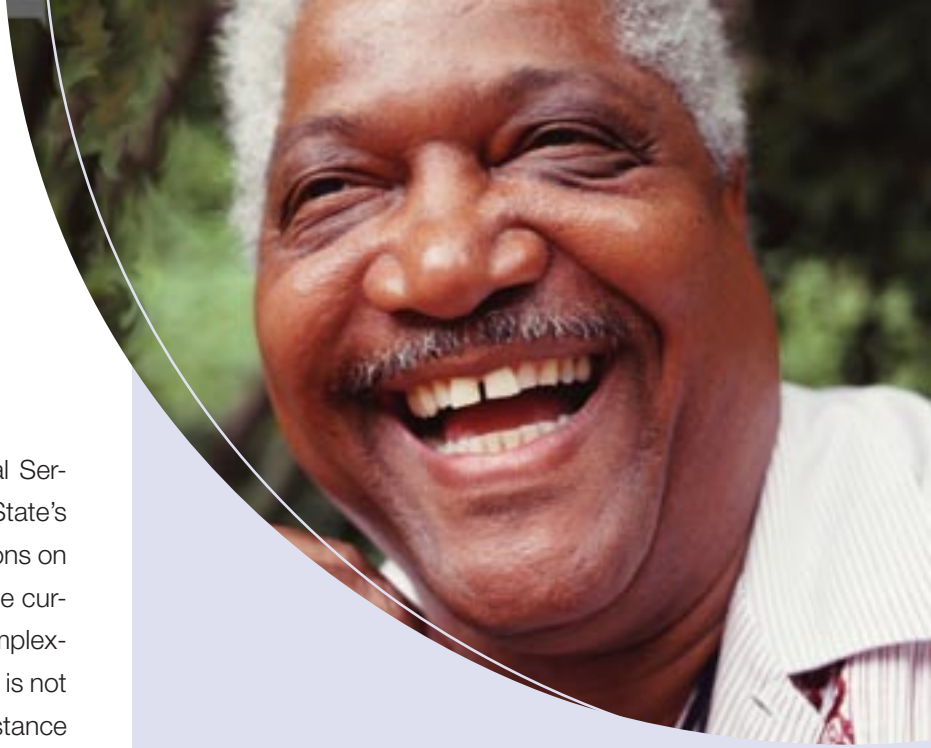
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## OVERVIEW

Over the last year, the Indiana Family and Social Services Administration (FSSA) has been assessing the State's public assistance eligibility system and exploring options on how to improve it. As this report will demonstrate, the current system is wrought with errors, inefficiencies, complexity, inconsistency, fraud and abuse. It is a system that is not working for clients in need of essential public assistance programs, such as Medicaid, Temporary Assistance for Needy Families (TANF), and Food Stamps, not working for state employees in the system trying to provide assistance to needy Hoosiers, and not working for taxpayers who must shoulder the expense of a broken public assistance eligibility system.

Earlier this year, FSSA issued a Request for Proposal (RFP) to partner with an outside vendor to assist FSSA in modernizing the system. Governor Daniels appointed an executive interagency Review Team in May of this year to assess the RFP project and to negotiate the terms of a modernized system with the potential partners who responded to the RFP. This report is separate from the Review Team's efforts and does not purport in any way to represent any of the work or direction that is currently underway by that Team or any final solution the Review Team may negotiate. Whatever the results of that effort might be, this report will demonstrate that FSSA must modernize the system to achieve the goals of welfare reform, provide better customer service and access to our clients, and provide a responsible and accountable system for Indiana taxpayers. Finally, this report will offer some ideal attributes of a modernized system, as well as some performance expectations of a successfully modernized system.



THE CURRENT SYSTEM  
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## EXECUTIVE SUMMARY

FSSA serves one out of every six Hoosiers each year through the purchase of health care and social services for low-income individuals and families, senior citizens, people with mental illness or addictions and people with physical or developmental disabilities. FSSA's budget of \$6.55 billion comprises 30 percent of the state budget.

FSSA serves Hoosiers in need as a health care financing organization, expending 92 percent of its budget on purchasing services from outside vendors, such as primary care clinics, physicians, hospitals and community mental health centers.

FSSA operates a broken, unwieldy public assistance eligibility system that does not best serve its clients in need of benefits under Medicaid, Temporary Assistance for Needy Families (TANF) and Food Stamps. The following problems within the eligibility system, the portal through which one applies for benefits, must be corrected for the system to work for clients and Hoosier taxpayers:

- **Worst record of welfare reform in the country**

- In the past decade, Indiana ranked 50th in the percent reduction of citizens on welfare. While welfare caseloads across the country declined by an average of 58 percent between August 1996 and December 2005, Indiana's welfare caseloads declined by a mere 6 percent.

- **High Error Rates**

- Thirty-five percent of the Medicaid long-term care applications (FFY 2003) and 25 percent of the Temporary Aid for Needy Families (TANF) applications (FFY 2006) approved by FSSA contained errors, either approving applicants who did not qualify

and/or providing too little or too much assistance for those who did qualify.

- FSSA paid Food Stamps recipients \$33.9 million more than they were entitled (FFY 2005).

- **Slow processes that fall short of federal guidelines and provide poor customer service**

- In January 2005, the Medical Review Team (MRT) responsible for examining applicant veracity and depth of disability, had a backlog of more than 13,000 cases.

- Sixty-five percent of FSSA clients rated their satisfaction with the agency's service as "below average."

- Fifty-six percent complained that the intake process was "too slow."

- **Inconvenient access**

- Modern forms of access, such as the Internet and interactive voice response (IVR) systems, are not available to clients.

- Forty-eight percent of FSSA clients found it difficult to reach a caseworker.

- County offices are open limited hours.



- **Lack of consistency**

- One hundred and seven county offices determine and verify eligibility in 107 different ways.

- **Lack of tracking capabilities and proper accounting programs make system ripe for corruption**

- At least 15 FSSA employees have been arrested since 2002 for fraud-related activities with the average case costing taxpayers \$50,000.

- At least 21 co-conspirators committed fraud against the state for an average case cost of \$60,000.

Ultimately, FSSA's system should provide assistance to those most in need and ensure that those who don't qualify for assistance don't receive it.

To achieve those goals, FSSA developed general traits as a part of the pending RFP process to create a new model to make the eligibility intake processes for its programs more accurate, user-friendly and effective. The new eligibility intake process must emphasize:

- Customer ease-of-use and convenience
- Quickly linking customers to community and job resources to help them become self-sufficient
- Accountability to taxpayers

A new system also should focus on giving clients more avenues to interact with the agency, which will ultimately reduce the number of mandatory visits to local offices and long waiting times experienced at these offices. Clients should be able to provide information to the agency or retrieve information from FSSA 24 hours a day, seven days a

week. Access points should include local county offices, the Internet, an automated and interactive phone system, and local organizations in the community.

By employing modern business processes and technological enhancements, FSSA will be able to serve its clients better by making eligibility determinations more quickly and accurately. As such, FSSA will be able to meet and exceed client expectations and federal guidelines.

FSSA faces an incredible challenge and opportunity to modernize the eligibility system. The status quo is simply not acceptable. A modernized eligibility system is essential to bringing more focus back to the people it was created to serve, while at the same time, developing and implementing appropriate measures to ensure more accountability to taxpayers.



## HISTORY OF FSSA AND PUBLIC ASSISTANCE

### OVERVIEW

Over the years, Indiana's social services safety net responsible for administering and regulating the delivery of and payment for public assistance and welfare programs has undergone tremendous change. For example, much of the administration of these essential programs in the late 1800s was performed through Indiana's counties and by county staff. Today many, if not all, of these essential programs are administered either through county welfare offices on behalf of the State or entirely at the state level through FSSA.

Today, FSSA operates a budget of \$6.55 billion and employs approximately 6,500 people. FSSA finances welfare and social services for one in six Hoosiers in need – depending upon both their economic and severity of conditions through the following care areas:

- Office of Medicaid Policy and Planning (OMPP), which specializes in Maternal and Child Health
- Division of Mental Health and Addiction (DMHA)
- Division of Disabilities and Rehabilitative Services (DDRS)
- Division of Aging (Aging)
- Division of Family Resources (DFR)

Among more than 170 programs, FSSA is responsible for such public assistance and welfare programs as Temporary Assistance for Needy Families (TANF), Medicaid and Food Stamps.

• **TANF** — The foundation of modern-day welfare rests with the Social Security Act of 1935, under which the federal government enacted the cash assistance program Aid to Families with Dependent Children (AFDC) for poor single mothers and their children. AFDC is now known as TANF and is funded entirely by federal dollars through a block grant administered by states that share in the costs of administering those funds.

• **Medicaid** — Today's federal and state-subsidized health care has its roots in the federal government's creation of the Medicaid and Medicare programs in 1965. Medicaid purchases health care and related services for low-income populations, whereas Medicare focuses on people who are age 65 or older or certain persons with disabilities younger than age 65. Medicare is operated by the federal government, and Medicaid is operated by state governments.

• **Food Stamps** — First introduced in the 1930s and initially offered through pilot programs, Food Stamps provides for clients' financial assistance to purchase nutritious



food. In 1974, the Food Stamps program was expanded nationwide. Similar to TANF, Food Stamps is funded entirely by federal dollars; however, the state shares in administration costs.

To understand why FSSA is exploring ways in which to improve and modernize the process by which Hoosiers apply for these public assistance and welfare programs, it is essential to consider these needed changes in the recent historical context of the programs' administration. The following is a brief summary of the complex evolution of Indiana's health care and social services programs.

#### 1986 – 1995

Until 1985, Indiana public assistance and welfare programs were administered by the county welfare offices by county employees. In 1986, the state took over the administration of the county welfare staff in response to a lawsuit filed by the County Directors Association regarding the inequities of employee salaries and benefits across counties. As a result,

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ADMINISTRATION.



eligibility determination for AFDC, Food Stamps and Medicaid was instead determined by state employees. At that time, caseworkers completed eligibility forms and notices only on paper; no processes were automated. At least one state “welfare” office was located in each of the 92 counties.

In 1991, the Indiana General Assembly decided that the many state agencies that helped Hoosiers obtain various social services should be combined. The consolidation of the departments of Mental Health, Public Welfare and Human Services (which included Medicaid) formed FSSA. At the time, FSSA was charged with managing a multibillion dollar budget and employing more than 12,000 people. It was a massive organization that was challenging to manage; funding care for nearly 1 million Hoosiers is a large task.

In 1992, the Indiana General Assembly mandated four distinct divisions within FSSA: Office of Medicaid Policy and Planning (OMPP), Division of Mental Health and Addiction (DMHA), Division of Disabilities, Aging and Rehabilitative Services (DDARS), and Division of Family and Children (DFC).

In 1993, Indiana implemented the Indiana Client Eligibility System (ICES), an integrated computer system that analyzes data and information to determine eligibility. ICES was the initial step toward moving FSSA away from a solely paper-based system.

## 1996-2004

The national landscape for welfare assistance was radically transformed with the federal government’s passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. PRWORA set limits on cash support, mandated even stronger work requirements and gave states more discretion over program design. As part of PRWORA, AFDC’s program name was changed to Temporary Aid for Needy Families (TANF) to better reflect the new design and goals of welfare assistance. Because Indiana operated under a waiver that did not expire until 2002, FSSA did not initially have to comply with all of the national rules.

In 2001, Indiana was one of the last 10 states to comply with the federal regulation on the adoption of an electronic benefits transfer (EBT) card. EBT plastic debit cards are utilized by Food Stamps and TANF clients to access allotted financial assistance. The EBT card is an efficient and secure way for the state to distribute benefits to clients. The clients also benefit from the reliability and convenience of the card.

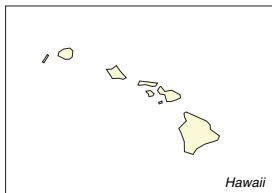
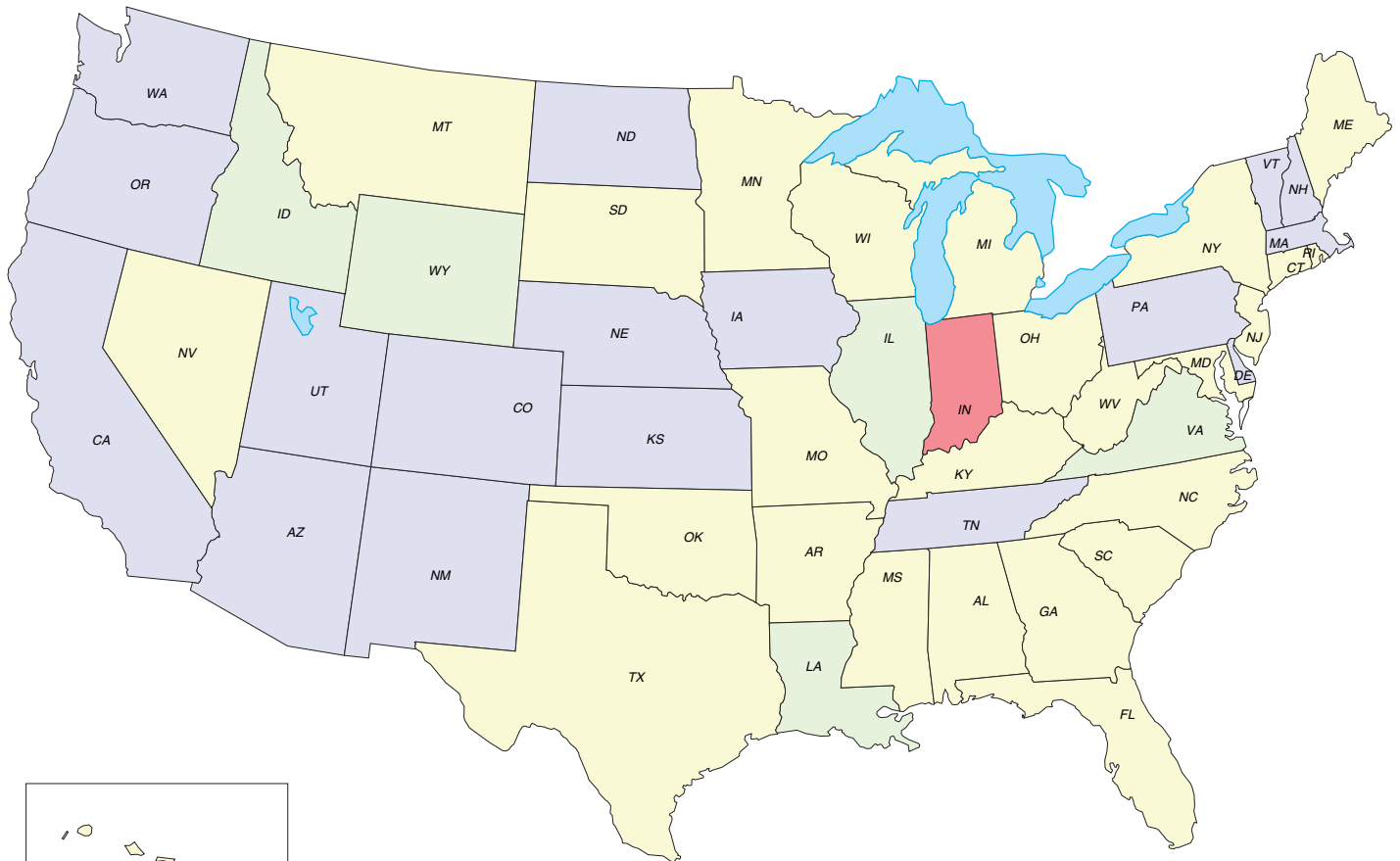
Unfortunately, since 2002, Indiana has failed to make most of the needed modifications to the TANF program to comply with federal regulations, contributing to Indiana falling way behind in welfare reform. The U.S. Department of Health and Human Services reported that welfare caseloads across the nation declined by 58 percent from August 1996 to December 2005. However, Indiana’s welfare rolls were reduced by only 6 percent during the same period. The graphics on the following pages shows how Indiana fared in comparison to other states — dead last.



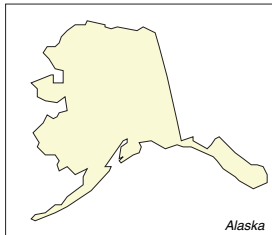
## AMERICA'S WELFARE REFORM, 1996 - 2005

INDIANA'S RANK: 50 — WORST PERCENT REDUCTION IN PEOPLE ON WELFARE

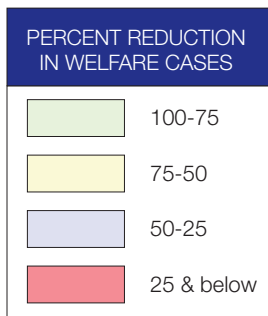
STATE	AUG. 1996 FAMILIES	DEC. 2005 FAMILIES	PERCENT CHANGE	STATE	AUG. 1996 FAMILIES	DEC. 2005 FAMILIES	PERCENT CHANGE
ALABAMA	41,032	20,316	-50.5%	NEBRASKA	14,435	10,016	-30.6%
ALASKA	12,159	3,590	-70.5%	NEVADA	13,712	5,691	-58.5%
ARIZONA	62,404	41,943	-32.8%	NEW HAMPSHIRE	9,100	6,150	-32.4%
ARKANSAS	22,069	8,283	-62.5%	NEW JERSEY	101,704	42,198	-58.5%
CALIFORNIA	880,378	453,819	-48.5%	NEW MEXICO	33,353	17,773	-46.7%
COLORADO	34,486	15,303	-55.6%	NEW YORK	418,338	139,220	-66.7%
CONNECTICUT	57,326	18,685	-67.4%	NORTH CAROLINA	110,060	31,746	-71.2%
DELAWARE	10,585	5,744	-45.7%	NORTH DAKOTA	4,773	2,789	-41.6%
FLORIDA	200,922	57,361	-71.5%	OHIO	204,240	81,425	-60.1%
GEORGIA	123,329	35,621	-71.1%	OKLAHOMA	35,986	11,104	-69.1%
HAWAII	21,894	7,243	-66.9%	OREGON	29,917	20,194	-32.5%
IDAHO	8,607	1,870	-78.3%	PENNSYLVANIA	186,342	97,469	-47.7%
ILLINOIS	220,297	38,129	-82.7%	RHODE ISLAND	20,670	10,063	-51.3%
INDIANA	51,437	48,213	-6.3%	SOUTH CAROLINA	44,060	16,234	-63.2%
IOWA	31,579	17,215	-45.5%	SOUTH DAKOTA	5,829	2,876	-50.7%
KANSAS	23,790	17,400	-26.9%	TENNESSEE	97,187	69,361	-28.6%
KENTUCKY	71,264	33,691	-52.7%	TEXAS	243,504	77,693	-68.1%
LOUISIANA	67,467	13,888	-79.4%	UTAH	14,221	8,151	-42.7%
MAINE	20,007	9,516	-52.4%	VERMONT	8,765	4,479	-48.9%
MARYLAND	70,665	22,530	-68.1%	VIRGINIA	61,905	9,615	-84.5%
MASSACHUSETTS	84,700	47,950	-43.4%	WASHINGTON	97,492	55,910	-42.7%
MICHIGAN	169,997	81,882	-51.8%	WEST VIRGINIA	37,044	11,275	-69.6%
MINNESOTA	57,741	27,589	-52.2%	WISCONSIN	51,924	17,970	-65.4%
MISSISSIPPI	46,428	14,636	-68.5%	WYOMING	4,312	294	-93.2%
MISSOURI	80,123	39,715	-50.4%				
MONTANA	10,114	3,947	-61.0%	U.S. TOTAL	4,408,508	1,870,039	-57.6%



Hawaii



Alaska



Since 1996, welfare caseloads across the country have declined by an average of 58 percent. *However, over a 10-year period, Indiana reported the worst performance.* Indiana's welfare rolls were reduced by a mere 6 percent between August 1996 and December 2005.



## 2005 - PRESENT

On Jan. 11, 2005, Governor Mitch Daniels created the Department of Child Services (DCS) – a stand-alone agency responsible for administering child welfare services, including child protective services, adoption, foster care and child support. These services were previously the responsibility of FSSA's Division of Family and Children (DFC). The former DFC was renamed the Division of Family Resources (DFR) to more accurately reflect its modified responsibilities. By executive order and legislative action in 2005 and 2006, other components of what was once DFC have been transferred to other parts of FSSA and state government. Since January 2005, FSSA has made the following modifications to its structure:

- First Steps, a program to help children with disabilities, was transferred to the Division of Disabilities, Aging and Rehabilitative Services (DDARS) within FSSA.
- Effective July 1, 2006, Housing Choice Voucher Program (Section 8), Energy Assistance Block Grant, Weatherization Assistance, Community Services Block Grant, Commodity Supplemental Food, Community Food and Nutrition, Emergency Food Assistance Program, Shelter Plus Care and Migrant Farm Worker Outreach Project programs were transferred to the Office of the Lieutenant Governor as they are a better fit with the core functions of its office. The Lieutenant Governor's office has subcontracted the operations of some of these programs to the Indiana Housing & Community Development Authority (IHCDA).
- Services for Indiana's aging population under FSSA's Division of Disabilities, Rehabilitative Services (DDARS), were moved to a newly created Division of Aging within FSSA.

However, the new administration knew that more than just structural modifications to FSSA needed to occur for the agency to most appropriately serve its vulnerable populations and be a good steward of taxpayer dollars. In the late 1990s and early 2000s, the decline of Indiana's economy, coupled with the State's failure to fully implement welfare reform, led to more Hoosiers in poverty and more citizens enrolled in public assistance. Between 2000 and 2004, Indiana was one of only four states to see an increase in welfare rolls. The number of households receiving TANF grew from 36,000 in January 2000 to nearly 51,000 in July 2005, peaking at 56,000 in January 2003. In September 2005, 564,000 individuals – more than 9 percent of Hoosiers – were receiving food stamps. This was an 11 percent increase over September 2004.

In 2005, largely in response to increasing public assistance rolls, high error rates, waste, pending lawsuits, fraud and abuse, FSSA began to explore ways to improve the eligibility application process for public assistance and welfare programs. FSSA developed the general traits necessary to modernize and improve the application system to ensure that eligible Hoosiers receive necessary services, as well as good customer service from the state. In addition, FSSA has emphasized the importance of assisting Hoosiers in moving off welfare and into self-sufficiency and work opportunities.

Through the pending modernization project, FSSA has a unique opportunity to improve the application process for Hoosiers most in need. Through utilizing modern business practices, up-to-date technology, and internal and external expertise, FSSA aims to bring better service to the State's most vulnerable populations and exercise prudence when spending taxpayer dollars.

## VISION, MISSION AND GOALS

### VISION

The vision of the Family and Social Services Administration is, “To lead the future of health care in Indiana by being the most effective health and human services agency in the nation.”

### SCOPE OF SERVICES

FSSA spends more than \$6.55 billion to serve more than 1 million Hoosiers every year. Since FSSA provides very limited direct patient care, approximately 92 percent of its budget is dedicated to paying for health care and social services for its clients and related functions. As such, FSSA does not deliver health care and human services, rather it is a health care and social services financing organization.

FSSA finances services for:

- Low-income individuals and families
- Senior citizens
- People with mental illness
- People with addictions
- People with physical disabilities
- People with developmental disabilities

### MISSION

The mission of FSSA is, “To use common sense compassion to help Hoosiers in need have healthier, more productive lives through developing, managing and financing their health care and human services needs.”

### GOALS

The FSSA strategic plan (2005) aims to fix broken systems and transform FSSA by establishing four main goals:

- Drive the marketplace to increase health care and social services opportunities
- Implement fiscal and operational discipline
- Integrate and coordinate policy development and service delivery
- Provide the best customer service through consistent, equitable and user-friendly access to services

For a more in-depth look into FSSA's strategic plan, please refer to <http://www.in.gov/fssa/pdf/fssatimeline62306.pdf>.



## A SNAPSHOT: FSSA IN JANUARY 2005

Prior to 2005, news organizations had been reporting for years about problems with FSSA and its inability to properly protect and provide for the state's most vulnerable populations. And while the Daniels Administration anticipated large-scale problems, it could not have anticipated how numerous and entrenched the problems really were. In addition, it took months to determine how many people FSSA employs and how much money it spends in administration and programming costs because of the historically chaotic record-keeping at FSSA. The new leadership needed to closely examine the agency and its problems to fulfill its vision and mission, with the ultimate goal to provide the best service to Hoosiers most in need.

### AN INSIDE LOOK ACROSS FSSA

In early 2005, the FSSA leadership team needed an extensive examination to determine the breadth and magnitude of the challenges that had to be overcome to be an effective health care and social services financing agency. FSSA enlisted KPMG to conduct a six-month intensive diagnostic audit in spring 2005. The KPMG Diagnostic Review<sup>2</sup> and FSSA internal analysis revealed such problems as:

- No central accounting system
- No medical director
- Technology not linked
- Lack of training and oversight
- Inflexible personnel system
- No coordinated contracting system
- No coordinated purchasing system
- No coordinated effort to secure grants
- Departments functioned in "silos"

"...the revolving door of directors since the agency was established in 1991 suggests the task of overseeing Medicaid, mental health and addiction services, disability and aging services and the Division of Family and Children might be too overwhelming for any one person."

*Is FSSA Too Much to Handle?*  
Fort Wayne Journal Gazette, Oct. 8, 2003

"With its massive budget and more than 9,000 employees, the FSSA is too big for its own good. A bureaucracy of this size invites lax oversight and bloated spending."

*FSSA Needs an Overhaul*  
South Bend Tribune, Oct. 9, 2003

Although FSSA has worked diligently for the last 18 months to address these challenges, not all strategies and solutions have been fully developed or implemented because these problems are so vast and deeply rooted in the agency. The following is a brief description of just a few of the problems discovered in early 2005.

### NO CENTRAL ACCOUNTING SYSTEM

Instead of a central accounting system to manage FSSA's \$6.55 billion budget, accountants manually updated several hundred Excel spreadsheets. This manual process made it impossible for senior staff to understand if FSSA, its divisions and its programs were over or under budget.



## **NO MEDICAL DIRECTOR**

Despite being charged with maintaining the health of approximately 800,000 Hoosiers, FSSA operated without a medical director. Even though the agency spent nearly \$5 billion on Medicaid services annually, a medical director did not set health care policy or oversee the quality of care provided to clients.

## **TECHNOLOGY ACROSS DIVISIONS NOT LINKED**

Many divisions had duplicate systems that performed very similar functions. The disparate systems did not “talk” to each other. In other words, FSSA had multitudes of useless data that could not be comprehensively compiled and analyzed. There was no global approach to understanding the technological needs of the agency; rather, technology was bought and supported piecemeal.

## **LACK OF TRAINING AND OVERSIGHT**

The lack of training and oversight in FSSA impeded the agency’s ability to provide quality services to clients. For example, the KPMG Diagnostic Report indicated that “caseworkers are not trained on the complicated documents they must review in order to determine eligibility. Often times, they do not understand the documents they are reviewing, such as documentation of assets (i.e. 401(k)).” Employees also do not receive sufficient training on how to detect and report fraud or on the appropriate questions to ask clients during eligibility interviews.

## **NO COORDINATED CONTRACTING SYSTEM**

FSSA had more than 10,000 contracts and contract amendments, yet the contracting system was a manual, uncoordinated process, depending too much on the memories of staff, rather than an effective tracking and handling system. Processing contracts internally often required six signatures from FSSA staff before being passed on to the State Budget Agency, Department of Administration and the Office of the Attorney General. Many contracts take more than 90 days to make it through the system; this inhibited FSSA’s ability to contract out for needs in a timely fashion.

## **NO COORDINATED PURCHASING SYSTEM**

FSSA purchases goods for its own consumption, as well as for use by others. FSSA did not have a coordinated purchasing system for office supplies within the Central Office or between local offices spread throughout the state. Divisions within FSSA also did not work together or with other agencies to leverage economies of scale and purchase goods and services in bulk.

The agency also purchases goods, like durable medical equipment or food, on behalf of others. For example, both Vocational Rehabilitation under DDRS and Medicaid purchase hearing aids for people with hearing impairments. Yet, the two areas of FSSA did not work together to negotiate for a better price for the combined quantity.

FSSA also purchases food services for many clients, such as people at state-operated facilities and seniors at local centers. Once again, no coordinated purchasing system existed to maximize taxpayer dollars.



## NO COORDINATED EFFORT TO SECURE GRANTS

Each division was responsible for locating and pursuing grant opportunities; there was no central resource within FSSA to provide assistance and a coordinated approach. This resulted in many missed opportunities to secure federal funding.

## FUNCTIONS IN SILOS

Although the public assistance departments were consolidated into one large agency in 1991, the divisions remained disparate, often failing to communicate, resulting in duplication of many processes. As documented in the KPMG Diagnostic Review:

*"FSSA does not maintain effective communication between its lines of service. Communication issues adversely impact FSSA's ability to be responsive to concerns of its various divisions, but also reduces FSSA's ability to collaborate and share information, which has perpetuated functional silos throughout the organization."*

The secretary's office is responsible for overseeing five different divisions, as well as other functions, such as human resources and payroll. With the revolving door of FSSA Secretaries – 13 different Secretaries in 15 years – FSSA usually failed to establish a comprehensive message and strategy, which simply perpetuated the parochial operating system.

## AN INSIDE LOOK INTO ELIGIBILITY INTAKE AND DETERMINATION

As highlighted in the "History of FSSA and Public Assistance" section, prior to 2005, the division that handled eligi-

bility intake and determination, child welfare, child care and a host of unrelated programs was called the Division of Family and Children (DFC). DFC – a single division within the larger agency – was entrusted with caring for the most vulnerable children in Indiana, while also serving as the gateway to other FSSA services. With so much responsibility, problems within the division often directly impacted the client. To better serve our State's children, Governor Daniels created the Department of Child Services (DCS) by Executive Order on Jan. 11, 2006, and charged it with the responsibility of overseeing child welfare, including child protective services, adoption, foster care and child support. The remaining DFC programs continued in the newly-named Division of Family Resources (DFR) under the umbrella of FSSA, which then allowed FSSA to more fully focus on other critical parts of the organization.

DFR is the gateway to most of FSSA's services, including Food Stamps, TANF and Medicaid. Unfortunately, DFR operates an outdated system, which is inconsistent and difficult to use. These factors lead to poor customer service to FSSA's most vulnerable clients and also additional cost to Hoosier taxpayers. The problems inherent in the current system are:

- Inconsistent application of rules, regulations and policy
- Overly burdensome caseloads for caseworkers
- High case error rates
- Low participation rates in programs designed to promote self-sufficiency
- Inappropriate delays
- Dissatisfied clients
- Conducive to fraud

## INCONSISTENT APPLICATION OF RULES, REGULATIONS AND POLICY

DFR processes and practices have devolved over time and multiple administrations. As a result, there has been a lack of common operating processes, training and acculturation of employees. The State Board of Accounts (SBOA) TANF audit report found:

*“We noted major discrepancies from county to county regarding documentation and follow up. For example, caseworkers in some counties would check the living situation statement made by an applicant by contacting the school or other known organization to verify while, in other counties, the applicant statement appeared to be accepted without question.”*

*“Although the scope of our work did not include an extensive review of internal control, it appears evident that whatever control procedures have been established by the central office are not widely implemented at all local offices. Rather, controls in place seem to be determined by each local director and vary widely.”<sup>3</sup>*

These variances create an environment nearly impossible to control or improve. FSSA clients have difficulty communicating with the agency and have no consistent expectation of service.

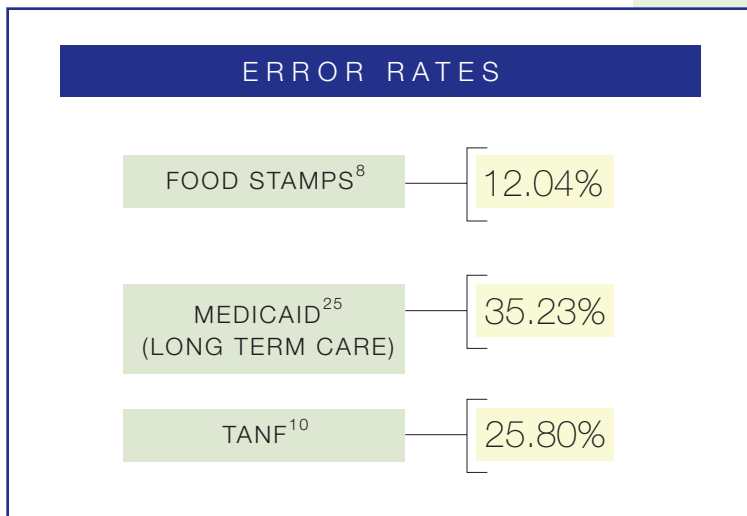
## OVERLY BURDENSOME CASELOADS FOR CASEWORKERS

Indiana caseworkers carry an average workload of 300 cases, though caseworkers in urban areas carry as many as 700 concurrent cases<sup>6</sup>. Illustrating the depth of the problems in managing their cases are the alerts generated by the Indiana Client Eligibility System (ICES). An alert is an electronic reminder for the caseworker to perform some action concerning open or pending cases. As of early June 2006, caseworkers had 260,000 unprocessed open alerts — roughly 120 for every Indiana caseworker<sup>7</sup>. Caseworkers should be able to attend to these activities while taking care of normal case maintenance; the current system simply has not afforded them the opportunity to do so.

In addition, caseworkers are caught in a system that uses outdated technology and depends on largely manual processes for paper collection and data verification. As such, caseworkers spend more time inputting data changes or filing papers, rather than using their social work expertise to help clients in a more tangible way. Unfortunately, the manual requirements and time constraints of caseworkers often result in poor service to clients.

## HIGH CASE ERROR RATES

An indicator of the problems endemic to DFR's operation is the overall case error rates for FSSA's three major programs: Food Stamps, TANF and Medicaid. FSSA tracks case errors as an indicator of operating quality problems. The error rates for FSSA programs are as follows:



A further look at errors shows the cost borne by the taxpayers as a result of these errors. *The 35.23 percent error rate in determining long-term care eligibility costs Indiana between \$10 and \$50 million each year, as FSSA funds more than 33 percent of Medicaid costs compared to funding very little for Food Stamps and TANF.* (The federal government is the primary funder of Food Stamps and TANF.) In Federal Fiscal Year (FFY) 2005, FSSA paid Food Stamps recipients \$33.9 million more than they were entitled.<sup>11</sup> When the state attempted to recoup these overpayments, it recovered only 9.58 percent.<sup>12</sup> Indiana ranks 48th in the nation in recouping Food Stamp overpayments.<sup>13</sup>

FSSA's practices, which have not kept pace with modern business practices, fail its clients. The taxpayers of Indiana deserve better performance from FSSA.

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## POOR PARTICIPATION IN PROGRAMS DESIGNED TO PROMOTE SELF-SUFFICIENCY

As a result of the Deficit Reduction Act (DRA) of 2005, the federal government requires that states meet a workforce participation for TANF recipients of 50 percent. In other words, 50 percent of Hoosier TANF recipients must be engaged in meaningful work-related activity, either working in a job or an Indiana Manpower and Comprehensive Training (IMPACT)-sponsored activity like volunteer work. (Certain TANF recipients, such as non-parent caretakers, are exempt from this calculation.) Indiana has historically had a workforce participation rate near 33 percent.<sup>14</sup> With Congress passing the TANF Reauthorization earlier this year, the 50 percent workforce participation requirement will be strictly enforced, and Indiana is at risk for failing to meet this requirement. This could cost the state up to 5 percent of its TANF block grant, or \$10.3 million, and the federal government could require that Indiana replace these lost federal funds with state funds.

## INAPPROPRIATE DELAYS

A largely manual application and verification process often leads to unnecessary and inappropriate delays in service, which may result in unanticipated costs to taxpayers. For example, the class action lawsuit *Thornton v. Hamilton* challenged the state's alleged failure to issue decisions on Medicaid disability applications within 90 days of the application date as required by federal law. Although the Administration has entered into a consent decree with plaintiffs and worked to address this situation by eliminating the backlog of more than 13,000 cases, the extent of the liability of the *Thornton* case is uncertain at this time. The court could require that the state put every applicant on Medicaid disability at 90 days regardless of whether a determination was made.

Inappropriate delays for receiving public assistance extend to the less time-intensive cases as well. For example, in SFY 2005, caseworkers took in 31,000 Food Stamps applications and re-determinations each month. Of these, 3,500 were not processed in an appropriate time frame under federal guidelines.<sup>16</sup>

## DISSATISFIED CLIENTS

Over time, service models have disintegrated to the point of delivering extraordinarily poor service to clients. The best judges of the system are the clients themselves. A recent survey showed that:

- Sixty-five percent of FSSA customers rated their satisfaction with the agency's service as "below average"
- Fifty-six percent complained that the intake process was "too slow"
- Twenty-seven percent noted that "the telephone system doesn't work"
- Forty-eight percent found it difficult to reach a caseworker<sup>17</sup>

The current application process for public assistance results in some applicants making up to four visits to offices in their home county and spending more than six hours working through the process.<sup>18</sup> *The survey indicated that 82 percent of the State's clients required two or more face-to-face office visits to become eligible for the appropriate programs.*<sup>19</sup> Each visit may entail time off work, child care and transportation difficulties, and waiting in line.





## CONDUCTIVE TO FRAUD

The outdated infrastructure unfortunately allows the dishonest to take advantage of the state and the most vulnerable Hoosiers. Since October 2002, FSSA has had at least 15 caseworkers arrested for fraud for illicitly obtaining Food Stamps and TANF benefits. The average amount stolen per case is approximately \$50,000. *In addition, at least 21 “outside conspirators” have illegally obtained benefits or committed contract fraud with the assistance of FSSA staff.* These cases cost the state and the taxpayers approximately \$60,000 each in benefit payments.<sup>20</sup>

## SUMMARY

FSSA faced many challenges when the new administration entered in January 2005: no central accounting system; no medical director; technology not linked; lack of training and oversight; inflexible personnel system; no coordinated contracting system; no coordinated purchasing system; no coordinated effort to secure grants; and departments functioned in silos. Many of these challenges, combined with the difficulty of an outdated system for the eligibility intake, determination and verification processes, have resulted in poor customer service, high error rates and low participation rates. Many staff members are reduced to paper pushing rather than the consistent application of their social work expertise. Even more unfortunate, some staff members have committed fraud, evading detection for some time because of the lack of system accountability.

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## ELIGIBILITY INTAKE AND CUSTOMER CARE

### ELIGIBILITY INTAKE, A FORM OF CUSTOMER SERVICE

Eligibility intake is collecting, processing and organizing information to support eligibility determination; eligibility intake is a necessary component of a public assistance application. Final eligibility determination is the calculated decision whether a client is eligible for public assistance. In other words, eligibility intake is the preparatory work for final eligibility determination, both of which are necessary for a client to receive public assistance.

### HOW DOES AN APPLICANT APPLY FOR PUBLIC ASSISTANCE?

Consider a typical case, drawn from interviews with clients and caseworkers. Felicia is a 23-year-old single mother with two children. She earns \$152 per week working part time. She pays \$325 per month to rent a two-bedroom apartment.

1. Felicia rides the city bus to a Lake County DFR office, but no caseworkers are available to speak with her. She makes an appointment for the next day.
2. The next day, she again takes the bus to the office and waits 25 minutes because previous appointments ran longer than scheduled. Felicia learns that her household will likely be eligible for food stamps, and her children will likely qualify for Medicaid. She is told there is a long waiting list for child care vouchers.
3. The next week, Felicia takes the bus back to the office to provide required copies of their birth certificates, one month of pay stubs and the rent receipt.

4. After one week, she calls her caseworker.

5. A few days later, her caseworker calls her back, explaining that her file is incomplete. She needs to bring in three months of pay stubs, not just one month of pay stubs.

6. She brings in the additional two months of pay stubs the next day.

7. As the caseworker instructed Felicia on an earlier visit, she travels to a separate office, which requires changing buses twice, to visit a child care voucher agent. She discovers that the waiting list is five months.

8. About three weeks after Felicia first arrived at the county office, she receives a letter in the mail, alerting her to the status of her family's eligibility. They will receive \$70 monthly in food stamps, and her children will be enrolled in Medicaid. She still has not heard anything about enrollment in First Steps, since it is handled through a different office. Her children's Medicaid cards and the electronic benefits transfer (EBT) card for food stamps will both be mailed in a few days.



## FELICIA HAD TO MAKE FIVE VISITS TO TWO SEPARATE OFFICES TO DISCOVER THAT SHE AND HER CHILDREN ARE ELIGIBLE FOR SOME ASSISTANCE.

Felicia had to make five visits to two separate offices to discover that she and her children are eligible for some assistance. She is still waiting for space in the child care voucher program. And within six months, Felicia will need to return to the county office to verify that her family situation hasn't changed and provide supporting documentation to continue to be eligible for Food Stamps and Medicaid. Unfortunately, Felicia has experienced many hurdles while applying for public assistance; FSSA is not providing Felicia quality customer care.

### WHAT IS THE CASEWORKER'S ROLE IN THE APPLICATION FOR PUBLIC ASSISTANCE?

Jessica has been a public assistance caseworker since graduating with a college degree in social work two years ago. At first, the opportunity to help mothers and children in need seemed fulfilling, but she now finds most of her time is spent filing and searching for documents rather than using her college training.

Jessica begins a case file for Felicia in the Indiana Client Eligibility System (ICES). The system is outdated, and as a result, she had to enter 26 separate screens worth of data on Felicia. The in-person interview with Felicia takes 90 minutes.

Jessica spent a year getting familiar with the various rules behind each of the fields for which information was required. With 27 different types of Medicaid and three different types of TANF, the application process is not intuitive. At the end of the interview, Jessica gives Felicia a list of all the materials that must be brought to the office to proceed with the application process. Jessica will need to verify each document Felicia supplies.

When Felicia calls to check the status of her application and leaves a voice mail message, Jessica cannot easily locate her file. It's not in the filing cabinet, so she assumes a clerk must be processing the new information provided by Felicia. She searches through the in-boxes of four different clerks before finding the paperwork on a desk. Jessica is frustrated; she has a stack of cases on her desk that needs processing and just spent 30 minutes locating the pieces of Felicia's application. More than 60 percent of her time is spent locating files and processing simple updates, such as a change of address. Unfortunately, the burdens and restrictions of the current system prevent Jessica from providing Felicia with true social work and good customer service.



## CUSTOMER SERVICE

The terms “customer service” and “customer care” define the way that organizations interact with their clients or customers in the modern economy. Each day, we interact with public and private organizations, such as banks, pharmacies, grocery stores and post offices, and come away with an impression – based on that interaction – concerning the friendliness, competence and efficiency of that organization. As noted in the “A Snapshot: FSSA in January 2005” section, a majority of Hoosiers in need do not have positive impressions of their interaction with FSSA and, by implication, all of state government.

The reasons for this generally negative impression are many. As Felicia’s experience demonstrates, multiple trips and document submissions are required to complete the application process. Overburdened caseworkers have little time to deliver personal services. The time taken to make determinations is too long for too many individuals trying to make ends meet day-to-day.

At its core, eligibility modernization is about improving the level of customer care received by Hoosiers in need. In 2006, if you had a choice, would you continue to use a bank, post office, pharmacy or other place of business if it:

- Offered limited phone access?
- Failed to offer Web access?
- Failed to offer access to important information 24-7?
- Required you to come in during normal working hours for each transaction?

- Required you to provide some of the same documents each time you wanted to open a new account?
- Featured employees so overburdened by paper shuffling requirements that they were unable to provide quality customer service?

Customer service is a part of everyday interaction within FSSA and especially at its 107 county offices. FSSA’s county offices provide customer care in the following ways:

- Greet clients and introduce clients to FSSA
- Explain the eligibility intake and determination process and answer questions
- Process applications for public assistance
- Determine eligibility for various programs
- Keep applications and reapplications for public assistance up-to-date
- Refer clients to community or faith-based organizations, such as Area Agencies on Aging (AAAs) or other state agencies (i.e. Department of Child Services) that may be able to help meet clients’ needs



## WHAT ARE THE CURRENT PROBLEMS IN THE SYSTEM?

The following summarizes the problems in the current system:

- Outdated infrastructure
- Fragmented and outdated technology
- Misspent caseworker time
- Inconsistency

With the advent of today's technology, which allows information to be shared much more quickly and safely, offices today should have the ability to help Hoosiers gain access to a myriad of services. The current system is highly fragmented, as demonstrated when Felicia had to go to a different office to apply for the child care voucher. *Unfortunately, this fragmentation often requires the Hoosiers most in need, such as senior citizens with disabilities, make multiple visits to different locations to apply for different programs.*

### INCONVENIENT ACCESS

Multiple visits to different offices become increasingly difficult as clients realize that most county offices are only open to the public Monday through Friday from 8 a.m. to 4:30 p.m. Many have to take off work and/or find child care to go to the office.

### FRAGMENTED AND OUTDATED TECHNOLOGY

Indiana's eligibility computer systems are fragmented. Many of them were built on 30-year-old technology. The flagship system, ICES, is written in COBOL, which is an Information Management System (IMS), non-relational database. Caseworkers use "green screen" technology to input data and must remember many policies, procedures, rules and coding to make the system work properly and accurately. Learning the system is not intuitive; caseworkers spend at least a year figuring out how to make it work well.

Additionally, information is not automatically updated or transferable. The system relies heavily on paper filing and manual processing. Locating an application in process can be a cumbersome ordeal; documents supporting the application may be on the caseworker's desk, in a receptionist's in-box or in a file cabinet.

FSSA aims to provide clients good customer care; however, the system often hinders the employees from doing so. FSSA's system of eligibility intake is often criticized for being slow, cumbersome, difficult to navigate, inaccurate, paper-intensive, time-intensive and people-intensive. Unfortunately, FSSA operates a 30-year-old model of customer care; the agency is so behind the times that it cannot compete with 21st century business models or customer care expectations.

### OUTDATED INFRASTRUCTURE

FSSA has 107 county offices throughout the state with at least one office in each county. This model was established when county offices administered welfare services, and there were no other options for how to apply for public assistance. Today, with many current modes of communications, such as the Internet, clients should have more options for how to apply and submit information for public assistance applications.



*This manual process is difficult, time-consuming and conducive to errors.* The system has diminished the social work component of the caseworker position, relegating the caseworker to a paper pusher and data-input operator.

### MISSPENT CASEWORKER TIME

Caseworkers carry very high caseloads; most caseworkers have to maintain a workload of more than 300 cases. However, the workload is not spread evenly across the state, which leads to poor customer service when some caseworkers are overburdened and others have too much time. For example, in Elkhart County, a caseworker may have more than 700 cases, whereas in Union County, a caseworker may only have 150 cases. Most caseworkers see six new clients weekly, while still maintaining hundreds of other cases that are constantly in flux.

Caseworkers maintain cases by updating changes to a client's file and responding to electronic alerts issued by ICES, reminding them to perform an action on an open or pending case. Yet, most caseworkers cannot keep up with these alerts. As of early June, 260,000 alerts had not been processed—roughly 120 for every Indiana caseworker. Many of these alerts remind caseworkers to perform checks on a case, such as verifying that the income level of a household has not changed. Although this is an important component of ensuring that eligible Hoosiers receive services, information verification is largely an administrative task that does not demand the social worker expertise of the caseworker.<sup>21</sup> *Since caseworkers spend so much time verifying information, they have less time to spend counseling clients.*

In addition, county directors are charged with overseeing both child welfare and public assistance. When forced to prioritize, they choose to spend most of their time protecting children, leaving eligibility determination accuracy and timeliness virtually ignored.

### INCONSISTENCY

With 107 different county offices, there are nearly 107 processes used to document the information needed to accurately determine eligibility. Each county operates autonomously, making uniformity virtually impossible. The State Board of Accounts (SBOA) special audit cited:

*"We noted major discrepancies from county to county regarding documentation and follow up. For example, caseworkers in some counties would check the living situation statement made by an applicant by contacting the school or other known organization to verify while, in other counties, the applicant statement appeared to be accepted without question."*

*"Client eligibility may not be properly assessed for a variety of reasons, including high caseloads, inconsistent application of eligibility criteria and inconsistent policies between offices and locations."*

For example, one county office may file its hard copy cases alphabetically by last name, whereas the office in the adjoining county files its cases by case number. The application of policy also contains many discrepancies. For example, TANF policy states that the caseworker must verify that school-age children of recipients regularly attend school. One office may check to see how many children are in the household by calling the local school to verify their attendance; another office will just take the client's word.



## SUMMARY

Challenges with the current eligibility intake system, such as outdated infrastructure and inconvenient access, exist for both the clients and caseworkers. FSSA has a chance to build upon existing knowledge and adapt proven technology to take a quantum leap in modernizing its public assistance eligibility intake process.

The agency has developed guidelines that address many of the problems in today's eligibility system; these guidelines form the foundation for an Indiana solution that is acceptable to clients and taxpayers. Instead of taking a step back, or settling for outdated and elaborate processes, FSSA wants to take full advantage of what others have learned, as well as employ today's best-in-class technology. It sounds simple, but what exists today is a cumbersome system in need of great repair.

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## ATTRIBUTES OF A MODERNIZED SYSTEM

The attributes of a modernized system should be to provide better access, use modern technology and business processes to leverage efficiencies and better utilize staff members.

### PROVIDE BETTER ACCESS

Offering multiple entry points into FSSA's eligibility system would result in increased access to the system for those in need of public assistance. Rather than depending on multiple trips to a county office during the limited hours each office is open, clients should be able to have access to the modernized Indiana system 24 hours a day, seven days a week through new channels. The channels of entry would mirror the access points commonly used by businesses to engage customers. The many options FSSA's clients might have available to them could include:

- Local county offices
- 24-7 access to initiate an application over the Internet
- 24-7 interactive voice response (IVR) phone access to application information
- Local community organizations

New channels such as these are ones that clients themselves have agreed would grant greater access to the system. A study of FSSA's current client base conducted by Indiana University-Purdue University at Indianapolis (IUPUI) indicated that:<sup>23</sup>

- 74 percent of FSSA clients were likely to use extended hour toll free service to apply for benefits.

- 57 percent of clients are likely to use community and faith based organizations in their communities to apply for benefits.
- 40 percent are likely to use the Internet to apply for benefits.
- 26 percent of clients have home access to the Internet.

This data is supported by the experience in Florida. Florida's modernization demonstrated that 10 months after introduction, 70 percent of all applications for public assistance were completed via the Internet.<sup>24</sup> Florida also discovered that 74 percent of clients required no help to complete the application, and *87 percent said they would again use the Internet to apply for benefits.*

In addition, FSSA could seek to co-locate other assistance programs in the county offices. For example, clients must currently go to another office to register for child care assistance, but clients should be able to register for child care assistance at the same office in which they are applying for other types of assistance.

Multiple entry points into the system should also help facilitate the ongoing exchange of information. The utilization of modern technology, such as the Internet, would give clients much more flexibility in applying for benefits. For example, a mother may initially apply for assistance by using the Internet at a local organization where her child receives free after-school tutoring. Another parent might apply at a county office, but dial a call center to check on the status of her application and mail in supporting documentation. A third client may use the Web to check the status of her application, and utilize a fax machine to submit supplemental information required for



the re-determination. With more access points available at all times of the day and days of the week, clients would be able to complete their application and report changes in circumstances at their convenience.

### **USE MODERN TECHNOLOGY AND BUSINESS PROCESSES TO LEVERAGE EFFICIENCIES**

A modernized system would also be intuitive and easy to use for both the clients and employees from beginning to end. The initial application should be able to be created through the use of a Web-based, easy-to-use, wrap-around system as a front-end to ICES. Whereas ICES looks like, feels like and is technology from the 1960s, a wraparound system would be a user-friendly front-end tool that looks and feels like a Web page. Such a front-end tool would automatically populate certain fields in ICES and would only require the information necessary for each applicant to be individually tested for eligibility. In addition, rather than storing information in multiple locations – ICES, the caseworker's desk, the receptionist's in-box and a filing cabinet – all information could be stored in this comprehensive electronic record. The use of such technology could also reduce intake errors through the use of online data brokers.

Utilizing the investment the State has made in ICES as the “decision engine” for eligibility determination, FSSA should automate the front-end data collection activities of the eligibility process, taking advantage of the latest technologies in call center processing, Internet availability and document center management. Through continuous improvement, FSSA should gain the productivity and service improvements that commercial leaders have enjoyed.

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# SUCCESS

## WHAT IS SUCCESS?

FSSA is committed to better serving its clients; the eligibility modernization is a tool that will allow the agency to do so. Through the RFP process, FSSA has applied both internal and external expertise to develop a proposed structure that will work for Indiana. In Indiana, success will mean:

### • Better service to clients

- User-friendly entry points into FSSA's system
- Convenient access into FSSA's services
- Accurate and timely eligibility determinations and verifications
- Social work expertise available to clients, especially the most vulnerable

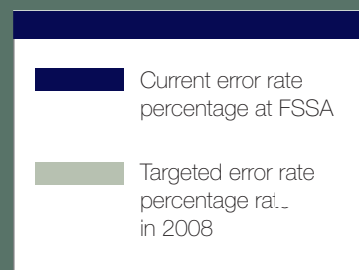
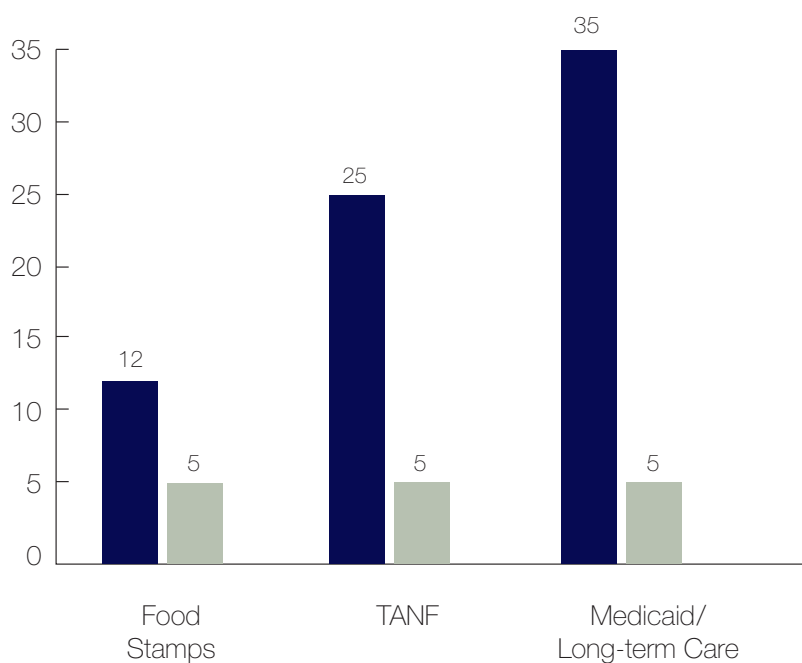
### • Promotion to self-sufficiency

- Provide assistance to vulnerable populations when needed and assist people in providing for themselves
- Maximize time spent in productive workforce activities, and minimize administrative bureaucracy

### • An accurate and accountable system

- Greater efficiency and effectiveness of both technology and business processes
- Lower error rates
- Faster eligibility determinations
- Less fraud and abuse
- Fewer lawsuits

COMPARISON OF ERROR RATES





## BETTER SERVICE TO CLIENTS

FSSA aims to improve service to clients. A modernized eligibility system would offer clients more opportunities to access FSSA services at their convenience, not at the convenience of the state or its employees. Today, it is often difficult for the client to reach or meet with their caseworker to facilitate an application, changes or re-determinations. Implementing a connected statewide view of all cases allows clients to interact with the agency at the nearest convenience location and any available staff member.

As clients become familiar with a new system, they will find it much easier and quicker to interact with FSSA. The client will have many more locations where they can receive assistance, get questions answered and drop off supplemental information. They can access the system via an automated phone system or Internet 24 hours a day, 7 days a week. Local organizations may assist clients in a comfortable setting. Finally, clients will interact with a much more consistent eligibility process - one that can respond more quickly and deliver services more efficiently.

## PROMOTION TO SELF-SUFFICIENCY

An important goal of modernizing the eligibility process is to help those who are truly in need and provide temporary financial assistance to people who will eventually attain economic self-sufficiency through work. Time spent in job search activities and should be maximized, while time spent in administrative bureaucracy should be minimized.

FSSA must partner with a vendor through the RFP to help the agency achieve the 50 percent work participation goal outlined by the federal government. As caseworkers are relieved of many manual, administrative tasks, they can apply their social work expertise to assist TANF recipients

to develop self-sufficiency plans, which include action steps like arranging childcare, earning a GED, applying for jobs, and volunteering at a local Indiana Manpower Comprehensive Training (IMPACT) site.

FSSA seeks to meet its obligation to provide the appropriate instruction and motivation to recipients, enabling them to achieve self-sufficiency. Besides improved business processes, a vendor would assist FSSA in meeting this obligation by offering the state access to national expertise and best practices to augment policy initiatives related to TANF and other strategies.

## AN ACCURATE AND ACCOUNTABLE SYSTEM

As indicated in this report, the State of Indiana has had difficulty abiding by the federal guidelines and performance measures for many public assistance programs. FSSA has often failed to hold itself accountable for the actions of its employees and administration of its programs. However, FSSA believes that the improved business processes and enhanced technology will save time and enable appropriate resources to be applied to meet these requirements. Frequent and effective training programs and opportunities for employees will also be a requirement for success.

FSSA recognizes that government is an integral part of a successful intake modernization and that the agency has a huge responsibility for ensuring that partners deliver high quality service for our clients. Accordingly, FSSA maintains the responsibility for working with all vendors to guarantee that solutions fit the needs of Hoosiers and vendors are held accountable for the highest degree of service.

FSSA should modernize its eligibility system so that clients, taxpayers and other stakeholders enjoy a 21st century model of customer care.

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- 6** Indiana Client Eligibility System (ICES) extract report from Cognos. Caseloads. June 2006.
- 7** ICES extract report from Cognos. Outstanding Alerts for Active/Inactive Workers. June 8, 2006. Report GCL010RA
- 8** Analysis of Indiana Quality Control Data – Food Stamp Program FFY 2005. Page 6.
- 9** Medicaid Pilot Project Fiscal Year 2005. Page 4.
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- 11** Misspent Food Stamps Dollars FFY 2005.
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- 21** ICES extract report from Cognos. Outstanding Alerts for Active/Inactive Workers. June 8, 2006. Report GCL010RA.
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